

Agency:	107 Health Care Authority
Decision Package Code/Title:	ML2-LA Hospital Safety Net Payment Adjustment
Budget Period:	2015 Supplemental Submittal
Budget Level:	ML2 – Maintenance Level

Recommendation Summary Text

The Health Care Authority (HCA) requests an increase of \$43,023,000 in the 2015 supplemental as an adjustment to the funding for the Hospital Safety Net Assessment (HSNA) Program. This represents an increase of \$99,458,000 GF-Federal and a decrease of \$56,435,000 in local appropriation. These funding changes are necessary to support Safety Net payments on Managed Care premiums for clients covered under the Affordable Care Act (ACA). This funding request will be updated with the availability of the final October 2014 Medical Assistance Forecast.

Package Description

Per RCW 74.60.050(2)(a), the HCA must reduce the amount of assessment to the minimum level necessary if sufficient other funds, including federal funds, are available to make the required payments under RCW 74.09.611 and Chapter 74.60 RCW. This results in a lower assessment on the Safety Net hospitals, supported by an increase in federal expenditure.

The HCA used Milliman, Inc., the same actuary the Authority uses to compose managed care rates, to develop an estimate for the ACA impact to the HSNA premium increases. Per Milliman's estimates, the lower range for the ACA payment increase is \$108,458,000 with \$54,229,000 in expenditure change. The upper range for the ACA impact is \$170,016,000 with \$85,008,000 in expenditure change. The HCA increased the upper range federal expenditure by \$14,450,000 to account for an increased caseload estimate between Milliman's estimate and the current forecast. This increase was performed by applying the Milliman calculated unit cost to the HCA projected member levels.

Lowering the local fund expenditure allotment by \$56,435,000 and increasing the federal expenditure allotment by \$99,458,000 should allow the Authority to manage the fund between the upper and lower premium range.

The increased federal funding reduces costs at Washington hospitals related to the Safety Net and ensures appropriate access to care.

Questions related to this request should be directed to Kenneth Lee at (360) 725-1275 or at Kenneth.Lee@hca.wa.gov.

Fiscal Detail/Objects of Expenditure

	<u>FY 2015</u>	<u>Total</u>
1. Operating Expenditures:		
Fund 001-C GF-Federal Medicaid Title XIX	\$ 99,458,000	\$ 99,458,000
Fund 16W-1 Hospital Safety Net	\$ (56,435,000)	\$ (56,435,000)
Total	\$ 43,023,000	\$ 43,023,000

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	FY 2015	Total
2. Staffing:		
Total FTEs	-	-

	FY 2015	Total
3. Objects of Expenditure:		
A - Salaries And Wages	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -
E - Goods And Services	\$ -	\$ -
G - Travel	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ 43,023,000	\$ 43,023,000
Other (specify) -	\$ -	\$ -
Total	\$ 43,023,000	\$ 43,023,000

	FY 2015	Total
4. Revenue:		
Fund 001-C GF-Federal Medicaid Title XIX	\$ 99,458,000	\$ 99,458,000
Fund 16W-1 Hospital Safety Net	\$ (56,435,000)	\$ (56,435,000)
Total	\$ 43,023,000	\$ 43,023,000

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This fund shift will allow the agency to comply with all requirements under state law for the Hospital Safety Net Assessment Program, which brings in revenue of \$99,900,000 per year to the state.

There is no impact on clients or services provided.

Performance Measure Detail

Activity Detail

H005 HCA National Health Reform

H010 HCA Healthy Options

H011 HCA All Other Clients – Fee for Service – Mandatory Services

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

The mission of the HCA is to provide high quality health care to the state's most vulnerable residents. This request contributes to the Authority's mission by supporting high quality healthcare performed at our Safety Net hospitals.

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Does this decision package provide essential support to one or more of the Governor’s Results Washington priorities?

This request supports the Governor’s “Healthy People” goal, to help “provide access to good medical care to improve people’s lives”. This proposal ensures access to care to essential hospital services by maximizing the federal share received due to Hospital Safety Net activities.

What are the other important connections or impacts related to this proposal?

The changes related to this proposal directly impact Washington State Hospitals which are assessed or paid via the Hospital Safety Net.

What alternatives were explored by the agency, and why was this alternative chosen?

None. This is a funding shift required by RCW 74.60.050.

What are the consequences of adopting this package?

None

What is the relationship, if any, to the state capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in to implement the change?

None

Expenditure and Revenue Calculations and Assumptions

Revenue Calculations and Assumptions:

The revenue decrease is calculated by using the inverse of the federal share increase for payment changes. For the purposes of ensuring that we have the appropriate funding level going forward, the HCA uses the lower limit for revenue projections.

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Fiscal Year	FY15
Limit	Lower Limit
Member Months	3,478,920
Unit Cost	31.81
ACA Payments	110,664,000
Apple Health Payments	198,542,000
Apple Health Federal Share	99,271,000
Total Federal Share	209,935,000
Allotted Federal Share	153,500,000
Federal Expenditure Change	56,435,000
Local Expenditure Change	(56,435,000)
Local Revenue Change	(56,435,000)

Expenditure Calculations and Assumptions:

The expenditure increase is calculated using the upper limit federal expenditure increase offset by the lower limit local expenditure decrease. For the purposes of ensuring that we have the appropriate funding level going forward, the HCA uses the upper limit for federal share increase projections.

Fiscal Year	FY15
Limit	Upper Limit
Member Months	4,796,307
Unit Cost	38.46
ACA Payments	184,466,000
Apple Health Payments	136,984,000
Apple Health Federal Share	68,492,000
Total Federal Share	252,958,000
Allotted Federal Share	153,500,000
Federal Expenditure Change	99,458,000
Local Expenditure Change	(99,458,000)
Local Revenue Change	(99,458,000)

Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

All funding shifts are expected to be ongoing through the 2015-17 Biennium.

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Budget impacts in future biennia:

The Hospital Safety Net has a “phase out” beginning in state fiscal year 2016 which lowers the payments and assessments by 20 percent of the state fiscal year 2015 totals each year. Due to this, the impact per year after 2015 is reduced.